

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Michigan Works!
Region 7B Consortium
(a governmental consortium)

Financial Report
June 30, 2007

Michigan Works! Region 7B Consortium

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Independent Auditor's Report

To the Board of Directors
Michigan Works! Region 7B Consortium

We have audited the accompanying financial statements of the governmental activities and the major fund of Michigan Works! Region 7B Consortium as of and for the year ended June 30, 2007, which collectively comprise Michigan Works! Region 7B Consortium's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Michigan Works! Region 7B Consortium's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Works! Region 7B Consortium as of June 30, 2007 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule (identified in the table of contents) are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Directors
Michigan Works! Region 7B Consortium

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2007 on our consideration of Michigan Works! Region 7B Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

November 7, 2007

Michigan Works! Region 7B Consortium

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Michigan Works! Region 7B Consortium's (the "Consortium") financial performance provides an overview of the Consortium's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Consortium's financial statements.

Financial Highlights:

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- The Consortium is dependent on funding of federal and state grants. This past year, at both state and federal levels, we actually had an increase in our grant awards. The Consortium continues to seek alternative grant funding to assure quality service levels to our customers. Management also continues to be proactive in addressing alternative program design. Several meetings are held with current subcontractors to assist in program design changes that would result in belt-tightening and more efficient and higher quality delivery of services to customers.
- The possibility of continued federal and state cuts still exists for future years. Although we believe any reduction would be minimal, management will continue to be proactive in addressing funding level changes.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Consortium as a whole and present a longer-term view of the Consortium's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and comparison to prior year costs.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Consortium's operations in more detail than the government-wide financial statements by providing information about the Consortium's most significant fund.

Michigan Works! Region 7B Consortium

Management's Discussion and Analysis (Unaudited) (Continued)

Consortium-wide Statements

The following table shows, in condensed format, the net assets for the years ended June 30, 2007 and 2006:

	2007	2006
Assets		
Current assets	\$ 1,145,291	\$ 1,086,408
Capital assets	122,289	192,487
Total assets	1,267,580	1,278,895
Current Liabilities	931,812	925,812
Net Assets		
Invested in capital assets	122,289	187,730
Unrestricted	213,479	165,353
Total net assets	<u>\$ 335,768</u>	<u>\$ 353,083</u>

Below is a summary of expenditures and revenue as of June 30, 2007 and 2006:

	2007	2006
Revenue		
Grant revenue	\$ 5,073,916	\$ 4,893,066
Interest income	26,368	3,342
Other unrestricted income	29,300	-
Total revenue	5,129,584	4,896,408
Expenditures		
Program training	3,533,405	3,216,370
Youth (in school)	541,613	553,313
Youth (out of school)	218,286	250,644
Administrative	563,125	576,485
Support services	290,470	306,985
Total expenditures	5,146,899	4,903,797
Excess of Expenditures Over Revenue	<u>\$ (17,315)</u>	<u>\$ (7,389)</u>

Michigan Works! Region 7B Consortium

Management's Discussion and Analysis (Unaudited) (Continued)

Changes in Expenditures

The Consortium's program costs increased by 10 percent in the current year due to changes in employment service contracts. The Consortium provided awards to three new contactors and increased the payments to existing contractors.

The Consortium's support services were about the same as last year. However, TANF supportive services were up this past year by 25 percent due to a six-month follow-up as opposed to a three-month period. The trade supportive services were down by 70 percent due to low enrollment. The net effect of supportive services between TANF and trade evened out the costs. For fiscal year 2008 funds of these two grants, there will be a significant increase in supportive services due to the increase in August of trade participants. In addition, the governor's new plan of No Worker Left Behind (NWLB) requires the Consortium to assist individuals in all funds with the supportive services needed to get a better education.

Fund Budgetary Highlights

The Consortium prepares its budget on a total grant basis. Many grant years overlap the Consortium's fiscal year end. As a result, actual expenditures for the fiscal year are less than budgeted. In addition, over the course of the year, the Consortium amended the budget to take into account events during the year. Overall, the Consortium stayed below budget, resulting in total expenditures being below the budget figures. The Consortium did experience grant decreases but also had some grant increases. The net effect results in the Consortium receiving approximately \$351,710 more in grant awards than the prior year. Some of our funding is not awarded until late in the fiscal year. The Consortium is allowed to carry these funds into the program year beginning July 1, 2007.

Capital Assets and Long-term Debt Activity

Capital Assets - The Consortium does not own any buildings. The current value of the Consortium's equipment is \$761,794, with an accumulated depreciation of \$639,505 for a net value of \$122,289.

Long-term Debt - The Consortium does not have long-term debt.

Michigan Works! Region 7B Consortium

Management's Discussion and Analysis (Unaudited) (Continued)

Known Factors Affecting the Future Operations

For the next year, the Consortium has already secured new grants. This will help to offset some of the potential federal and state cuts. A new grant from the State of Michigan Corrections Department has resulted in \$630,000 more in funding. The No Worker Left Behind initiative has the potential to generate more funding. The State's current financial position has the Consortium on a month-by-month funding, but we anticipate a positive outcome of the State's current budget problems.

The Consortium continues to have less carry-in funds. As of July 1, 2007, the Consortium will carry in \$515,919 compared to \$641,770 for July 1, 2006. For the past four years, the State has supplemented the welfare reform funding with Reed Act funds. As of October 1, 2006, the Reed Act was no longer providing funds. The State has supplemented the welfare reform program with General Fund/General Purpose (GF/GP) funds. At this point, the Consortium continues to have approximately the same funding level as in the previous two years. The State is currently changing the rules of welfare reform, which is currently being piloted in some Michigan Works! Agencies (MWA). Region 7B is not a part of the pilot project, but is carefully watching the results of the MWAs who are piloting the new Jet program. Region 7B is currently planning for the changes required.

Contacting Consortium Management

This financial report is designed to provide taxpayers, creditors, investors, and customers with a general overview of the Consortium's finances and to demonstrate the Consortium's accountability for the revenue it receives. If you have questions about this report or need additional information, we welcome you to contact management at P.O. Box 408, 402 First Street, Harrison, MI 48625.

Michigan Works! Region 7B Consortium

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2007

	Balance Sheet - Modified Accrual	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash	\$ 410,371	\$ -	\$ 410,371
Grants receivable (Note 3)	653,982	-	653,982
Prepaid expenses	78,970	-	78,970
Advances	1,968	-	1,968
Capital assets (Note 4)	-	122,289	122,289
Total assets	<u>\$ 1,145,291</u>	122,289	1,267,580
Liabilities			
Accounts payable	\$ 159,916	-	159,916
Deferred revenue (Note 5)	738,876	-	738,876
Accrued expenses	33,020	-	33,020
Total liabilities	931,812	-	931,812
Fund Balance - Unreserved and undesignated	<u>213,479</u>	<u>(213,479)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,145,291</u>		
Net Assets			
Invested in capital assets		122,289	122,289
Unrestricted		213,479	213,479
Total net assets		<u>\$ 335,768</u>	<u>\$ 335,768</u>

Michigan Works! Region 7B Consortium

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2007

	Revenues and Expenditures - Modified Accrual	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
Grant revenue	\$ 5,073,916	\$ -	\$ 5,073,916
Interest income	26,368	-	26,368
Other unrestricted income	29,300	-	29,300
Total revenue	5,129,584	-	5,129,584
Expenditures			
Program training	3,533,405	-	3,533,405
Youth (in school)	541,613	-	541,613
Youth (out of school)	218,286	-	218,286
Administration	492,927	70,198	563,125
Support services	290,470	-	290,470
Total expenditures	5,076,701	70,198	5,146,899
Change in Fund Balance/Net Assets	52,883	(70,198)	(17,315)
Fund Balance/Net Assets			
Beginning of year	160,596	192,487	353,083
End of year	<u>\$ 213,479</u>	<u>\$ 122,289</u>	<u>\$ 335,768</u>

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2007

Note 1 - Significant Accounting Policies

The accounting policies of Michigan Works! Region 7B Consortium (the "Consortium") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Consortium:

Reporting Entity

Michigan Works! Region 7B Consortium, which is a local unit of a governmental administrative entity, is organized under Public Act 7 of 1967 as both a grant recipient and administrative entity and as approved by the governor to be designated as a local workforce investment area in the state of Michigan of the Workforce Investment Act (WIA). The Consortium was formed to prepare youth and unskilled adults for entry or reentry into the workforce and to provide economically disadvantaged individuals and others facing barriers to employment with job training in Arenac, Clare, Gladwin, Iosco, Ogemaw, and Roscommon Counties in Michigan. The Consortium is primarily supported through federal and state government grants. Approximately 90 percent of the funding is federal pass-through funds received from the State of Michigan, Department of Labor and Economic Growth.

The accompanying basic financial statements have been prepared in accordance with criteria established by the Government Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on these criteria, there are no component units of the Consortium that are to be included in the reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Michigan Works! Region 7B Consortium's basic financial statements include both government-wide (reporting the Consortium as a whole) and fund financial statements (reporting the Consortium's major fund).

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2007

Note 1 - Significant Accounting Policies (Continued)

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Michigan Works! Region 7B Consortium considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest earned on investments is recorded on the accrual basis.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Consortium has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Basis of Presentation

The Consortium reports the following major governmental fund:

General Fund - The General Fund is the operating fund of Michigan Works! Region 7B Consortium. It is used to account for all financial resources of Michigan Works! Region 7B Consortium.

Cost Allocation - Cost allocation uses the direct method for the majority of costs. Shared costs are allocated based on four general allocation methods: time, space, location, and usage.

Budget - An annual budget is prepared by management based upon anticipated grant awards and adopted by the board of directors prior to the beginning of the fiscal year. Subsequent budget amendments as caused by changes to grant award amounts are approved by the board of directors. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2007

Note 1 - Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Capital Assets - Capital assets, which include furniture and equipment, are reported in the statement of net assets. Capital assets are defined by Michigan Works! Region 7B Consortium as assets with a unit cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost.

Capital assets are depreciated using the straight-line method over the following useful lives:

Office furniture and equipment	5 to 15 years
--------------------------------	---------------

Equipment purchased with grant award funds is owned by Michigan Works! Region 7B Consortium while it is being used in the program for which it was purchased or in other future programs. However, the various funding sources have a reversionary interest in the equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations.

Income Taxes - Michigan Works! Region 7B Consortium is a consortium of governments organized under Public Act 7 of 1967 and is exempt from federal income and Michigan taxes.

Deferred Revenue - Deferred revenue represents funds received by granting agencies in advance of being spent for the purpose granted.

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2007

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balance and the net change in fund balance of Michigan Works! Region 7B Consortium's governmental fund differ from net assets and changes in net assets of the governmental activities reported in the statement of net assets and the statement of activities. These differences result primarily from the long-term economic focus of the statement of net assets and the statement of activities versus the economic focus of the governmental fund balance sheet and the statement of governmental fund revenue, expenditures, and change in fund balance. The following reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets are as follows:

Total Fund Balance - Governmental fund	\$ 213,479
Amounts reported in the statement of net assets are different because capital assets used in governmental activities are not financial resources and are not reported in the funds	<u>122,289</u>
Total Net Assets - Full accrual basis	<u><u>\$ 335,768</u></u>
Net Change in Fund Balance - Modified accrual basis	\$ 52,883
Amounts reported for governmental activities in the statement of activities are different because governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation. This is the amount by which depreciation exceeds capital outlays in the current period - Depreciation expense	<u>(70,198)</u>
Change in Net Assets of Governmental Activities - Full accrual basis	<u><u>\$ (17,315)</u></u>

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2007

Note 3 - Grants Receivable

Grants receivable as of June 30, 2006 were as follows:

Workforce Investment Act (Dislocated Worker)	\$ 181,066
Workforce Investment Act (Administration)	40,331
Workforce Investment Act (Youth)	33,523
Workforce Investment Act (Statewide)	23,202
Workforce Investment Act (Rapid Response)	35,426
Workforce Investment Act (Work Incentive)	10,000
TANF	19,365
Food stamps	47,998
Wagner-Peyser	72,918
State	<u>190,153</u>
Total	<u>\$ 653,982</u>

Note 4 - Capital Assets (Furniture and Equipment)

Capital asset activity of Michigan Works! Region 7B Consortium's activities was as follows:

	Balance		Disposals	Balance
Governmental Activities	<u>June 30, 2006</u>	<u>Additions</u>	<u>and</u> <u>Adjustments</u>	<u>June 30, 2007</u>
Capital assets being depreciated -				
Furniture and equipment	\$ 875,061	\$ -	\$ 113,267	\$ 761,794
Accumulated depreciation -				
Furniture and equipment	<u>682,574</u>	<u>70,198</u>	<u>113,267</u>	<u>639,505</u>
Net capital assets being depreciated	<u>\$ 192,487</u>	<u>\$ (70,198)</u>	<u>\$ -</u>	<u>\$ 122,289</u>

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2007

Note 5 - Deferred Revenue

Deferred revenue as of June 30, 2006 was as follows:

Work First	\$ 302,906
Workforce Investment Act (Youth)	219,448
TAA	<u>216,522</u>
Total	<u>\$ 738,876</u>

Note 6 - Leases

Michigan Works! Region 7B Consortium has various lease rental agreements for each of the offices of Michigan Works! Region 7B Consortium. Payments on agreements during the year ended June 30, 2007 were \$297,990. Generally, the lease agreements can be canceled if Michigan Works! Region 7B Consortium funding is not approved.

Note 7 - Pension Plan

Michigan Works! Region 7B Consortium implemented a money purchase, defined contribution pension plan on January 1, 2000, covering substantially all employees. Under the plan, Michigan Works! Region 7B Consortium is required to contribute 6 percent each year of an eligible employee's compensation. Pension expense was \$22,398 for 2006.

Effective February 1, 2001, Michigan Works! Region 7B Consortium implemented a defined contribution plan in which employees may contribute up to the IRS defined maximum annual limit. The employer does not contribute to the plan.

Note 8 - Deposits with Financial Institutions

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the Consortium's deposits may not be returned to it. The Consortium's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk are used for the Consortium's deposits. As of June 30, 2007, the Consortium's deposit balances of \$699,690 had \$655,000 of bank deposits (money markets, certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Consortium believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Consortium evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2007

Note 8 - Deposits with Financial Institutions (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Consortium will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Consortium's policy for custodial credit risk states custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Consortium will do business using the criteria established in the investment policy. All investment securities that are uninsured and unregistered are held by counterparties.

Credit Risk

At June 30, 2007, the maturities of investments which include debt securities (other than the U.S. government) held by counterparties is made up of an Alliant Treasury Money Market Fund with an AAAM rating by Standard & Poor's.

Note 9 - Risk Management

Michigan Works! Region 7B Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which Michigan Works! Region 7B Consortium carries commercial insurance with minimal deductibles. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Postemployment Benefits

Michigan Works! Region 7B Consortium provides healthcare benefits to all full-time employees who have attained the age of 55 and completed 20 years of service, or completed 30 years of service regardless of age, upon retirement. Currently, three retirees are eligible. Michigan Works! Region 7B Consortium includes retirees in its insured healthcare plan with no contribution required for the retiree's healthcare costs up to a 10 percent increase in costs from the time of retirement. Retirees' dependents may be added to the plan at the cost of the retiree. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due. During the year, premiums amounted to \$22,113.

Michigan Works! Region 7B Consortium

Notes to Financial Statements June 30, 2007

Note 10 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Required Supplemental Information

Michigan Works! Region 7B Consortium

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Grant revenue	\$ 5,451,535	\$ 6,545,353	\$ 5,073,916	\$ (1,471,437)
Interest income	-	-	26,368	26,368
Other unrestricted income	-	-	29,300	29,300
Total revenue	5,451,535	6,545,353	5,129,584	(1,415,769)
Expenditures				
Program training	3,646,655	4,580,780	3,533,405	(1,047,375)
Youth (in school)	619,693	619,693	541,613	(78,080)
Youth (out of school)	248,597	248,597	218,286	(30,311)
Administration	570,430	730,123	492,927	(237,196)
Support services	366,160	366,160	290,470	(75,690)
Total expenditures	5,451,535	6,545,353	5,076,701	(1,468,652)
Excess of Expenditures Over Revenue	-	-	52,883	52,883
Fund Balance - Beginning of year	160,596	160,596	160,596	-
Fund Balance - End of year	<u>\$ 160,596</u>	<u>\$ 160,596</u>	<u>\$ 213,479</u>	<u>\$ 52,883</u>

Michigan Works! Region 7B Consortium

**Federal Awards
Supplemental Information
June 30, 2007**

Michigan Works! Region 7B Consortium

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Independent Auditor's Report

To the Board of Directors
Michigan Works! Region 7B Consortium

We have audited the financial statements of the governmental activities and the major fund information of Michigan Works! Region 7B Consortium as of and for the year ended June 30, 2007, which collectively comprise Michigan Works! Region 7B Consortium's basic financial statements, and have issued our report thereon dated November 7, 2007. Those basic financial statements are the responsibility of the management of Michigan Works! Region 7B Consortium. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Michigan Works! Region 7B Consortium taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 7, 2007

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

To the Board of Directors
Michigan Works! Region 7B Consortium

We have audited the financial statements of the governmental activities and major fund of Michigan Works! Region 7B Consortium as of and for the year ended June 30, 2007, which collectively comprise Michigan Works! Region 7B Consortium's basic financial statements, and have issued our report thereon dated November 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Michigan Works! Region 7B Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Michigan Works! Region 7B Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Michigan Works! Region 7B Consortium's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

To the Board of Directors
Michigan Works! Region 7B Consortium

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Michigan Works! Region 7B Consortium's financial statements are free of material misstatement; we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Michigan Works! Region 7B Consortium's response to the significant deficiencies and findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 7, 2007

**Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

To the Board of Directors
Michigan Works! Region 7B Consortium

Compliance

We have audited the compliance of Michigan Works! Region 7B Consortium with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The major federal program of Michigan Works! Region 7B Consortium is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Michigan Works! Region 7B Consortium's management. Our responsibility is to express an opinion on Michigan Works! Region 7B Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Michigan Works! Region 7B Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Michigan Works! Region 7B Consortium's compliance with those requirements.

In our opinion, Michigan Works! Region 7B Consortium complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

To the Board of Directors
Michigan Works! Region 7B Consortium

Internal Control Over Compliance

The management of Michigan Works! Region 7B Consortium is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Michigan Works! Region 7B Consortium's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 7, 2007

Michigan Works! Region 7B Consortium

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Award Amount	Federal Expenditures
Clusters:			
Food Stamp Cluster - U.S. Department of Agriculture -			
Michigan Department of Labor and Economic Growth:			
Food stamps	10.561	\$ 60,545	\$ 60,545
Food stamps	10.561	71,556	61,333
Total Food Stamp Cluster		132,101	121,878
Employment Service Cluster - U.S. Department of Labor -			
Michigan Department of Labor and Economic Growth -			
Employment service	17.207	237,744	237,744
WIA Cluster - U.S. Department of Labor - Michigan			
Department of Labor and Economic Growth:			
WIA - Adult	17.258	258,392	258,392
WIA - Adult	17.258	785,702	590,827
WIA - Youth	17.259	39,635	39,635
WIA - Youth	17.259	828,655	746,250
WIA - Dislocated worker	17.260	98,392	98,392
WIA - Dislocated worker	17.260	767,737	548,906
WIA - Administration	17.258-17.259-17.260	103,277	103,277
WIA - Administration	17.258-17.259-17.260	264,677	172,507
WIA - State Wide One Stop - Type A	17.258-17.259-17.260	55,000	55,000
WIA - State Wide - Type E	17.258-17.259-17.260	72,000	72,000
WIA - Incentive - Type D	17.258-17.259-17.260	15,503	15,503
WIA - Incentive - Type D	17.258-17.259-17.260	26,188	2,090
WIA - Rapid Response-S-DW-Scholarships	17.260	34,930	34,930
WIA - Rapid Response-I-DW-Incumbent	17.260	37,818	37,818
WIA - Work Incentive Grant - Type A-DPN	17.260	10,000	10,000
WIA - Rapid Response - 21st Century Workfc	17.260	50,000	496
Total WIA Cluster		3,447,906	2,786,023
Other federal awards:			
U.S. Department of Labor - Michigan Department of Labor			
and Economic Growth - TRADE - TYPE A FUND 57			
	17.245	166,756	88,802
U.S. Department of Health and Human Services - Michigan			
Department of Labor and Economic Growth -			
Temporary Assistance for Needy Families:			
Work First - TANF	93.558	776,182	776,182
Work First - TANF	93.558	1,105,951	554,552
FIA-WF-SS-TYPE C	93.558	35,000	1,340
FIA-WF-SS-TYPE C	93.558	38,825	19,365
Total U.S. Department of Health and Human Services		1,955,958	1,351,439

Michigan Works! Region 7B Consortium

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2007

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
Other federal awards (Continued):			
Michigan Department of Labor and Economic Growth - Reed Act - TYPE A	93.unknown	\$ 74,951	\$ 74,951
Total federal awards		<u>\$ 6,015,416</u>	<u>\$ 4,660,837</u>

Michigan Works! Region 7B Consortium

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Michigan Works! Region 7B Consortium and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount	
		Provided to Subrecipients	
Workforce Investment Act - Adult	17.258	\$	380,555
Workforce Investment Act - Youth	17.259		589,749
Workforce Investment Act - Dislocated Worker	17.260		287,445
Workforce Investment Act - Incumbent Type A	17.258		34,407
Work First	93.558		696,462
Employment services	17.207		142,342
Food stamps	10.561		46,252
Reed Act	N/A		83,775
Total		\$	<u>2,260,987</u>

Michigan Works! Region 7B Consortium

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 3 - Reconciliation of Schedule of Expenditures of Federal Awards

A reconciliation of the schedule of expenditures of federal awards to the General Fund financials, as presented in the general purpose financial statements (GPFS), is as follows:

Total expenditures per GPFS	<u>\$ 5,146,899</u>
Expenditures per the schedule of expenditures of federal awards	\$ 4,660,837
Expenditures made from other funding sources	415,864
Depreciation expense	<u>70,198</u>
Total	<u>\$ 5,146,899</u>

Michigan Works! Region 7B Consortium

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families (TANF)

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Michigan Works! Region 7B Consortium

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
2007-1	<p>Finding Type - Significant deficiency</p> <p>Criteria - Michigan Works! Region 7B Consortium (the "Consortium") did not post one audit adjusting entry from the prior year for accounts receivable and deferred revenue. Statement on Auditing Standards No. 112, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, indicates that identification of a consequential misstatement in the financial statements for the period under audit, by the auditor, that was not initially identified by the entity's internal control to be at least a significant deficiency.</p> <p>Condition - The Consortium operates on a cash basis for revenue purposes during the year to manage its grants' cash management appropriately. Accrual adjustments for revenue are completed at year end. Historically, this has been part of the audit process. One adjustment from the June 30, 2006 audit was not posted by the Consortium until it was identified by Plante & Moran, PLLC during the June 30, 2007 audit.</p> <p>Context - The adjusting audit entry from the prior year resulted in a decreasing fund balance as of July 1, 2006 by \$545,332 and increasing revenue to a full accrual basis.</p> <p>Cause and Effect - The Consortium did not verify that all audit adjustments were posted from prior year. As a result, the general ledger did not agree to the June 30, 2006 audit report. The adjustment to correct this situation was identified during the June 30, 2007 audit.</p> <p>Recommendation - Plante & Moran, PLLC recommends the Consortium post all audit adjustments and agree the Consortium's general ledger balances to the audited financial statements to verify that all audit adjustments were posted.</p>

Michigan Works! Region 7B Consortium

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-1 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - The prior year audit adjustment that was not posted was to post the deferred and accrued revenue. The Consortium makes a concerted effort to assure auditor's adjusting entries are posted but consequently, this entry was somehow missed. The key focus of the Consortium is to monitor grant revenue on a cash basis to adequately maintain needed cash flows and keep in compliance with federal regulations regarding cash management on an ongoing basis. Revenue, expenditures, and cash balances are constantly monitored. The grant revenue reporting rules to the State differ from the accounting profession standards of accruals for revenue. The unmade audit revenue adjusting journal entry has traditionally been part of year-end entries to account for accrued and deferred revenue for the audited financial statements purposes only. The amount of revenue reported to the State will differ from the audited financial statements because the State's rule of reporting revenue is different from the audit standards. The revenue was reported accurately to the State as required.</p> <p>We understand the push from the accounting profession for full accrual accounting on an ongoing basis versus waiting for the audit year-end posting of accrued and deferred revenue, as well as the new auditing standards which require this to be a finding where in the past it would otherwise not have been a finding. The year-end accounts receivable and deferred revenue were posted as of June 30, 2007. The grants revenue accurately reflects the correct balances as of June 30, 2007.</p>

Section III - Federal Program Audit Findings

None

November 7, 2007

To the Board of Directors
Michigan Works! Region 7B Consortium

We have recently completed our audit of the basic financial statements of the Michigan Works! Region 7B Consortium for the year ended June 30, 2007. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the audit committee, board of directors, and others within the organization.

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

We conducted our audit of the basic financial statements of Michigan Works! Region 7B Consortium in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. The following paragraphs explain our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or irregularities. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Auditor's Responsibility for Testing and Reporting on Internal Controls and Compliance with Laws and Regulations

In the audit process, we gain an understanding of the internal control structure of an entity as well as the laws and regulations having a direct and material affect on the entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of an entity's documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the entity's internal control structure or the entity's compliance with laws and regulations.

The limited purpose of these tests in a financial statement audit may not meet the needs of some users of auditors' reports who require additional information on internal controls and on compliance with laws and regulations. To meet certain audit report users' needs, laws and regulations often prescribe testing and reporting on internal controls and compliance to supplement the financial statement audit's coverage of these areas. In accordance with regulatory requirements covering federal (awards) financial assistance, supplemental testing of and reporting on internal controls and compliance was performed. Nevertheless, even after performing and reporting the results of these additional tests of internal controls and compliance required by laws and regulations, some reasonable needs of report users still may be unmet. We may meet these needs by performing further tests of internal controls and compliance with laws and regulations in either of two ways:

1. Supplemental (or agreed-upon) procedures, or
2. Examination, resulting in an opinion

For the year ended June 30, 2007, we were not engaged to, nor did we, perform the additional services listed in 1 and 2 above.

Significant Accounting Policies

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you about accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. We note no matters related to sensitive accounting estimates.

Significant Audit Adjustments

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. The following matter is being reported to you in this area.

- **Posting of Prior Year Audit Adjusting Entries** - The Consortium did not post an audit adjusting entry from the prior year resulting in understated revenues of \$545,332. Plante & Moran, PLLC performed this adjusting entry that exceeded the threshold of significance to the financial statements. In prior years, Plante & Moran, PLLC would record this cash basis to accrual basis entry for the Consortium. The Consortium only reviews accrual based revenue at year end.

Auditing standards also require us to inform the you about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There were no unrecorded possible financial statement adjustments identified during our audit.

Other Information in Documents Containing Audited Financial Statements

When our audit report and the audited financial statements are included in a client document, we have a responsibility to read that document and consider whether anything therein is inconsistent with the information in the audited financial statements. It is our understanding that the audited financial statements are currently not expected to be included in any other document.

Disagreements with Management

In the process of conducting an audit, various matters will be discussed with management. In that process, significant differences of opinion may arise regarding the scope of the audit, the application of accounting principles, disclosures to be included in the organization's financial statement, or the wording of our report. In the interest of keeping you informed of all significant matters, such differences are required to be reported to you even though they are satisfactorily resolved. There were no disagreements with management over the application of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements, or the wording of the auditor's report.

Consultation with Other Accountants

When management consults with other accountants about significant accounting and auditing matters, auditing standards require that we present our views on those matters to you. To our knowledge, there were no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We should inform the audit committee of any serious difficulties encountered in dealing with management related to the performance of the audit. This may include unreasonable delays by management in commencement of the audit or in providing needed information (including client-prepared schedules) or an unreasonable timetable set by management under the circumstances. Obviously, this can be a very sensitive disclosure and care should be taken in making it. It may be appropriate for management to make these disclosures to the audit committee. Our responsibility if management makes the disclosures is to be satisfied that such communications have, in fact, occurred.

To the Board of Directors
Michigan Works! Region 7B Consortium

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November 7, 2007

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Robert J. Brazda", with a long horizontal flourish extending to the right.

Bob Brazda, CPA